INVESTMENT DECISIONS OF STOCK SUB-BROKERS IN CAPITAL MARKET- A STUDY IN DAKSHINA KANNADA DISTRICT OF KARNATAKA

1. INTRODUCTION

Capital Market is a wide term used to comprise all operations in the new issues and stock market. New issues made by the companies constitute the primary market, while trading in the existing securities relates to the secondary market. There are various sub-markets in the capital market in India. The structure has undergone vast changes in recent years. New instruments and new institutions have emerged on the scene. The sub-markets include ;Market for corporate securities - for new issues and old securities, Market for Government securities, Market for Debt instruments - debentures and bonds of private corporate sector, bonds of public sector undertakings, public financial institutions, etc and finally Mutual fund schemes and UTI schemes, etc. The players in the market are the issuers of securities, namely, companies, intermediaries like brokers, sub-brokers etc., and the investors who bring in their savings and funds into the market.

1.1 Indian Capital Market

Indian capital markets have come a long way. The history of Indian stock market can be traced back to the 19th century. Dalal Street in Mumbai became prominent in the year 1875 with the setting up of Bombay Stock Exchange (BSE), the first recognized stock exchange of India. Government formed Unit Trust of India (UTI) in 1964 which gave birth to the mutual fund industry in India. Investors responded very well and by the virtue of this response of investors to the first mutual fund of India, public sector banks and financial institutions began to establish mutual funds in 1987. During the same period in mid-eighties there was an impressive growth in the secondary markets as ten regional stock exchanges were set up. The number of regional stock exchanges rose to twenty one, but with the emergence of technology leading to screen based trading and increased compliance needs, these didn't remain viable and were eventually derecognized. In 1991, Government of India launched a big bang policy of liberalization and globalization of Indian economy in general and financial sector in particular. It covered various measures like abolition of industrial licensing with an exception of few industries, allowing up to

51 percent foreign ownership of equity, permission of participation to Foreign Institutional Investors (FIIs) to invest in securities in primary and secondary market. Indian companies were also permitted to raise capital from abroad through the issue of Global Depository Receipts (GDRs) or American Depository receipts (ADRs). These reforms propelled the growth of equity markets in India resulting in renewed equity investment culture. Two landmark developments happened in the capital markets in the year 1992, with the establishment of National Stock Exchange (NSE) and incorporation of Securities and Exchange Board of India (SEBI) as an investor protection body by the virtue of a special enactment, namely the SEBI Act, 1992. The reforms drive continued and in 1993 private sector and foreign institutions were allowed to set up mutual funds in India. Considering the increase in volumes of trades, market participants and difficulties in settlement, dematerialization of securities was inevitable. The Depositories Act was legislated in 1996. National 4 Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) started functioning in 1996 and 1999 respectively.

1.2 Recent Trends in Indian Capital Markets

A key trend that emerged since the outbreak of the pandemic was the unprecedented rise in retail participation in securities markets and diffusion of equity investment culture to Tier-3 and Tier-4 cities boosting financial inclusion. This trend was driven by the digitalization with higher adoption of mobile and digital investing platforms, rising interest in IPOs of new age companies and penetration of equity as an asset class in a low-interest rate milieu. In FY 2022, this trend was further accentuated as the number of demat accounts opened scaled up significantly with CDSL and NSDL jointly adding 346 lakh new demat accounts. There was also a distinct shift in distribution of turnover in cash segment across different client categories. The share of individual investors rose from 33 per cent in FY 2016 to 41 per cent in FY 2022.

1.3 Challenges to Indian Capital Markets

KPMG report titled “Ten key global regulatory challenges for 2018 –action to drive effective change in financial services” outlines - Cyber-security and Data Privacy; Risk Management, Governance and Controls; Conduct and Culture; Compliance Risk Management; Financial Crimes Compliance; Strategic Risk and Disruptions; Fiduciary and Investor Protection; Data and Analytics; Capital and Liquidity; and Geopolitical Uncertainty as the 10 major regulatory challenges.

1.4 Securities and Exchange Board of India

The Securities and Exchange Board of India (SEBI) was established on April 12, 1988 under a resolution of the Government of India. But, it was later made a statutory body by the Securities and Exchange Board of India Act 1992. According to this Act, the SEBI shall typically consist of a chairman and five other members appointed by the Central Government (Two members representing the ministries of finance and law, one member from the Reserve Bank of India and two other members). With came into effect of the Securities and Exchange Board of India Act 1992, powers and functions exercised by the Central Government with respect of the regulation of the stock exchange operations in India. The three main objectives of SEBI are to protect the interest of Investors, to regulate the securities market and to promote efficient services by broker's merchant bankers and other intermediaries

1.5 Stock Brokers

A Stock Broker is an agent that charges a fee or commission for executing buy and sells orders submitted by an investor. It could also be a firm that acts as an agent for a customer, charging the customer a commission for its service. He performs transactions on the stock market on behalf of third parties who are unable or unwilling to trade themselves. He becomes the member of the stock exchange to deal securities on recognized stock exchanges; the broker should register his name as a broker with the SEBI. Stock Broker Registration procedure includes the following steps:

Step1: A duly filled application in Form A provided in Schedule I am required to be submitted to the Stock Exchange where it wishes to be admitted as a member.

Step2: Within 30 days of receiving the application the stock exchange is required to forward the same to Securities Exchange Board of India.

Step3: After due analysis of the application if the Board is of the opinion that all the conditions mentioned under Regulation 5 are satisfied, the certificate of registration is issued and stock exchange is intimated of the same effect.

Step4: If the Board is not satisfied with the contents of the application when such refusal is to be communicated to the applicant and to the stock exchange as well within 30 days from the date of refusal. However, the applicant must be provided an opportunity of being heard.

Step5: Any applicant with the rejected application has an option to reapply within 30 days from the date of intimation of such rejection, which will be considered by the Board and decision will be communicated.

After following the above steps the Individual is registered as broker and is ready to carry out its functions. The functioning of stock broking in India was started in 1875. The BSE is the oldest stock broking of India. The History of Indian stocks trading started with the 318 person taking membership in Stock Brokers Association and Native Share, known by the name as Bombay Stock Exchange (BSE). During the year 1965, BSE got a permanent acknowledgment from Government of India. As of this year the number of brokers have increased manifold because the investment community in India is growing at a greater pace.

Table 1- Number of Registered Stock Brokers (Segment and Stock Exchange Wise)

Segment	**Exchange**	**Registered Stock Brokers as on March 31,2022**
Cash Segment	BSE	1302
	NSE	1227
Equity Derivatives	BSE	906
	NSE	1146
Currency Derivatives	BSE	566
	NSE	757
DEBT	BSE	267
	NSE	247
Commodity Derivatives	BSE	291
	NSE	284
TOTAL		6,993

Source: SEBI Annual Report 2021-22

1.6 Sub-Brokers/Authorized Persons

A sub-broker is not a member of a stock exchange. Therefore, he is a person who acts as an agent of a stock broker. He undertakes the securities trading business on behalf of his clients by through stock brokers. Sub-brokers should also get a certificate of registration from SEBI. Just like as brokers, they have to satisfy the eligibility criteria, pay registration fees and follow the code of conduct and the various rules and regulations framed by the regulating authorities

from time to time. In this case excepting the registration fees, other aspects are more or less similar to brokers.

Table 2- Number of Registered Sub- Brokers on Exchanges

Sr. No	Exchange	No. of Registered Sub-brokers as on March 31, 2018
1	Ahmedabad	71
2	BSE	11,914
3	Calcutta	43
4	Delhi	185
5	NSE	13,665
	Total	25,878

Source: SEBI Annual Report 2017-18

SEBI in 2018 had done away with the category of sub-brokers as market intermediaries, which required registration with the regulator. The registered sub brokers were given time till the end of the fiscal year 2018 for migrating to act as an authorized person or trading member. Authorized persons need to seek registration from the concerned exchange. However, there is no difference in the operative role of a sub-broker and that of an authorized person.

1.7 Sub-Brokers in Karnataka

Karnataka stands out with a significant number of brokers registered across its districts, indicating a robust presence of brokerage services within the state. This phenomenon could be attributed to several factors. Firstly, Karnataka is home to Bangalore, often referred to as the Silicon Valley of India, which serves as a major hub for technology, innovation, and finance. The thriving business environment and high levels of economic activity in Bangalore likely contribute to the substantial number of brokers registered in the city. Additionally, Karnataka's diverse economy, encompassing sectors such as agriculture, manufacturing, and services, creates ample opportunities for investment and trading activities, driving the demand for brokerage services across various districts. Furthermore, the state's proactive approach towards promoting investment and entrepreneurship may also play a role in attracting brokerage firms and fostering a conducive environment for financial markets to flourish. The Table no. 3 presents the number of sub brokers registered in various districts of Karnataka.

Table 3- Number of Registered Sub- Brokers in Karnataka

District	**No. of Registered Sub-brokers as on March 31, 2022**
Bangalore	3846
Belgaum	381
Bellary	140
Bidar	44
Bijapur	97
Bagalkot	64
Chamarajanagar	8
Chikmagalur	64
Chitradurga	58
Dakshina Kannada	332
Davanagere	133
Dharwad	197
Gadag	45
Gulbarga	77
Hassan	66
Haveri	39
Hubli	127
Kodagu	33
Koppal	593
Mandya	34
Mysore	320
Raichur	41
Ramanagara	16
Shimoga	125
Tumakuru	114
Udupi	178

Uttara Kannada	152
Yadgir	4
Total	6885

Source: Value broking agency report 2022

The table provides a breakdown of the number of registered sub-brokers in various districts of Karnataka as of March 31, 2022. Bangalore stands out with the highest number of registered sub-brokers, totaling 3,846, followed by significant numbers in districts like Dakshina Kannada (332), Belgaum (381), and Mysore (320). The total count of registered sub-brokers across all districts in Karnataka amounts to 6,885.

1.8 Sub-Brokers in Dakshina Kannada

Dakshina Kannada, located in the southwestern part of Karnataka, is home to a thriving financial ecosystem with numerous registered sub-brokers operating across its various regions. As of March 31, 2018, a total of 332 sub-brokers were registered in the district, with Mangalore accounting for the majority of them, boasting 289 registered sub-brokers. Other regions such as Tenkayedapadavu, Alangar, Ujire, Bantwal, Bolwar, Puttur, Sullia, Belthangady, and Moodbidri also contribute to the district's vibrant financial landscape with their presence of registered sub-brokers.

Table 4- Number of Registered Sub- Brokers in Dakshina Kannada

Place	**No. of Registered Sub-brokers as on March 31, 2022**
Mangalore	289
Tenkayedapadavu	3
Alangar	3
Ujire	2
Bantwal	2
Bolwar	4
Puttur	10
Sullia	7

Belthangady	5
Moodbidri	7
Total	332

Source: Value broking agency report 2022

The table provides a snapshot of the number of registered sub-brokers in various locations as of March 31, 2022, within Dakshina Kannada district, Karnataka. Mangalore emerges as the district with the highest number of registered sub-brokers, accounting for 289 out of the total 332 registered sub-brokers in the district. Other locations such as Puttur, Sullia, and Moodbidri also contribute to the total count, though with smaller numbers compared to Mangalore. Overall, the data suggests a concentration of registered sub-brokers in Mangalore, with other locations exhibiting relatively smaller numbers.

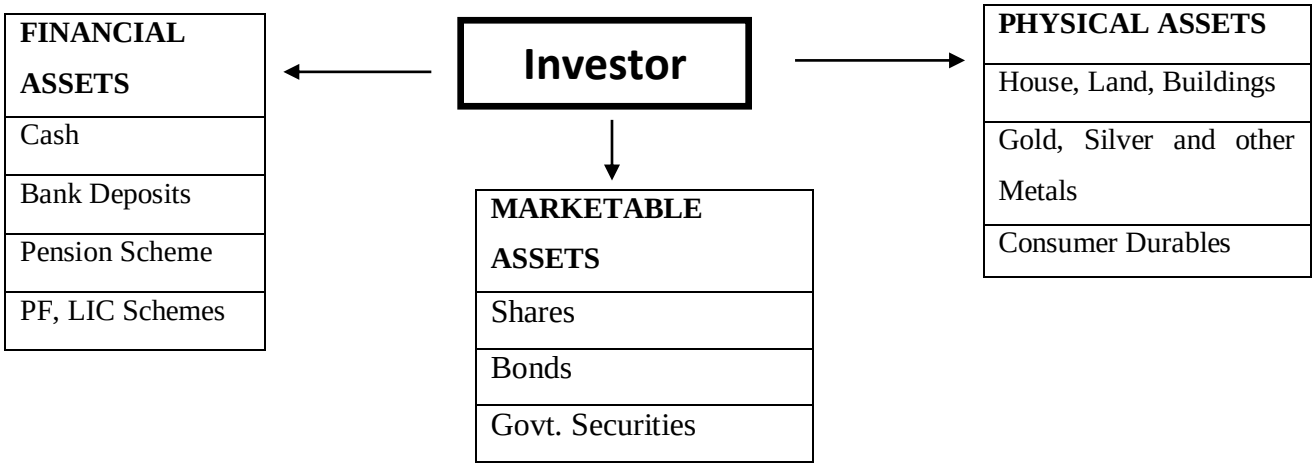
1.9 Mangalore Stock Exchange (MgSE)

At present, there are 23 stock exchanges recognized under the Securities Contracts (Regulation) Act 1956. They are located at various parts of India. Mangalore is one among them. The Mangalore Stock Exchange (MgSE) was incorporated on 31st of July, 1984 as a public limited company. The company was granted recognition as a stock exchange on September 9, 1985 under section 4 of the Securities Contracts (Regulation) Act, 1956. The recognition of the Mangalore Stock Exchange was granted renewal from time to time since 1985. The last recognition was valid up to September 8, 2003. On August 31, 2004, SEBI decided to derecognize the Mangalore Stock Exchange. In case of de-recognition, the companies listed in the MgSE can consider seeking listing at other stock exchanges or can opt for exit option to the shareholders as per the Delisting Guidelines of SEBI.

1.10 Investment

"An investment operation is one which, upon thorough analysis promises safety of principal and an adequate return. Operations not meeting these requirements are speculative." - By Graham and Qadd's Security Analysis. Investment activity involves the use of funds or savings for further creation of assets or acquisition of existing assets. Accordingly investment activity refers to acquisition of assets like Financial Assets, Physical Assets and Marketable Assets from the Primary and Secondary Market.

Figure 1- Investments



1.11 Indian Household Investment and Savings

The Reserve Bank of India (RBI) has released the latest volume of its annual statistical publication, 'Handbook of Statistics on the Indian Economy – 2018on 15th Sep, 2018. Through this publication, the Reserve Bank has been providing time series data on various Economic and Financial indicators for the Indian economy. Households' Savings correspond to the total income saved by households during a certain period of time. For this purpose RBI combines both Financial Assets and Marketable assets which are savings and investments in banks, stock markets, Post office schemes, company etc., as Financial Assets / Financial Savings and Investments in properties (real estate), gold, silver etc., are Physical Savings / Physical Assets. As per the published data by RBI it can be seen that from 2000 to 2007, more savings were routed to Physical assets. Interestingly in 2007/08, more investments were made in financial assets. This shows that retails/small investors participated in stock markets when their valuations were at peak. Then markets eventually crashed in 2008.From 2008 to till 2015, Indians preferred physical savings to financial savings. The Gross Financial Savings during 2014-15, 2015-16 & 2016-17 were Rs 12,572 billion, Rs 15,207 billion and Rs 14,048 billion. The savings in Physical Assets were around Rs 14,164 billion, Rs 15,000 & 12,700 billion during 2013-14, 2014-15 and 2015-16 respectively. The data for 2016-17 was around Rs 13,900 billion were invested in physical assets. The above recent years data clearly indicates that there has been a slight uptick of savings in Physical Assets. Now let's take a look at the financial assets and how the investments have been done by the Indian Households.

Table 5- Financial Assets of the Indian Households (2012-18) (in Rs Billion)

Year	Bank Deposits	Non Banking Deposits	Life Insurance Funds	Provident and Pension Funds	Shares and Debentures
2012-13	5751	279	1799	1565	170
2013-14	6393	228	2044	1778	189
2014-15	6027	289	2992	1908	203
2015-16	6220	182	2660	2917	283
2016-17	9418	250	3491	3020	1744
2017-18	4753	208	3272	3496	1777
2018-19	7771	332	3875	4043	1792
2019-20	8667	566	3720	4549	947
2020-21	12279	397	5204	5002	1071

Source: RBI's Handbook of Statistics on Indian Economy

In terms of Investments in Financial Assets, Based on the above data, it can be observed that there has been a steep decrease of savings in Bank deposits and a steep increase of investments in Shares which is capital markets over the years.

2. REVIEW OF LITERATURE

Investing in the stock market appears to be an attractive avenue of savings, growth and regular income to an investor. To trade in the stock market, investor needs the services of stock exchange members. A stock broker is an individual/organization who is specially given license to participate in the securities market on behalf of clients.

The review of literature is presented in the following sub headings for easy understanding.

A. Investors
B. Stock Brokers

A) INVESTORS:

An investor is any person who commits capital with the expectation of financial returns. Investors utilize investments in order to grow their money and provide an income during retirement, such as with an annuity. Investors typically perform technical and fundamental analysis to determine favorable investment opportunities, and generally prefer to minimize risk while maximizing returns. Studies regarding investors are reviewed in the following manner:

V Venkatragavan and M Chandran (2018) conducted a research on 'Investment Decision Factors Influencing the Share Market Investors in Chennai City'. The objective of the research was to identify the factors influencing the investment decision of share market investors. The research concluded that the investment decision of share market investors is affected by their risk involved in their investment as well as profitability of the investment. They expect the regulatory authorities of the union to safe guard their investment.

P.M. Dileep Kumar and B. Sriram (2018) conducted a study on 'Factors Influencing Investment Behavior of individual Investors in Middle East Countries' with the objective to understand the motives for investment decisions and to identify the determinants of Investment Behavior of individual investors from Middle East region. The study revealed that among the motives for investment, long term growth, high return, post retirement income etc dominate among investors while liquidity factor was also considered in their investments.

Kafeel Ahmed and JavedIqbal (2017) in their research paper titled 'A Study on Investor Investment Objectives for Investing in Volatile Market' had conducted a study with the objective to study the investor objectives for investing in volatile market in Jammu region of Jammu and Kashmir State. They found out that investors most important objective for investing in stock market having feature of volatility is that they believe that in volatile market investors have more chance for deriving above average returns or superior returns.

KanikaMarwaha and SangeetaArora (2017) conducted an exploratory study on 'Individual Investor behavior towards Investing in Low and Medium-Risk Investments' in three districts of Punjab with the objective to gauge the factors that influence individual investors of Punjab to invest in low and medium risk investments. The study revealed that friend/ family recommendation factor, credibility factor, personal financial needs factor and expert advice factor had positive and significant impact on overall preference for low and medium-risk investments.

M. Dhanasekaran and N. Ramesh Kumar (2016) did a study on 'Individual Investors Behaviour towards Investment on Stocks' in Tamil Nadu with the objective to find out the factors that are affecting the investment of an individual decision. The study concluded that risk diversification, tax benefits, principal safety, Wait and See behavior of respondents has resulted with nominal return of 20%. In turn, respondents are satisfied with their investment and the return on them.

V. Prabakaran (2015) did a study on 'Investors Risk Profile Analysis and their Perception towards Investing In Stock Market' in Chennai, Bangalore and Coimbatore cities. The objective was to tract the investors' risk profile and their perception towards investing in stock market. The study found out that the demographic variables like gender, age, education & sources of income were significantly associated with type of investment, investment experience, stock selection, period of investment, investment objectives, and decision taken during uncertainty.

G. Rama Krishna (2014) did 'A Study On Motives And Awareness Levels Of Stock Market Investors' with reference to Kurnool district in A.P . The objective was to find out the awareness levels of investors towards different avenues of stock market. The study revealed that majority of the stock market investors are very familiar with equity shares when compared with futures and options and commodities.

M. Muniraju and Joychen Manuel (2013) conducted a study titled 'Behavioral finance in individual investors decision making' among salaried class people in Ernakulum district in Kerala. The objective of the study was to analyze the major behavioural traits such as Over Confidence, Trading Involvement, Optimism and Risk attitudes. The study found that Individual investors have high level of involvement and overconfidence while they are not much optimistic about the future outlook of market moreover they have been found to have an aversion to risk.

Bhupendra Kumar Gautam (2012) did a research on 'Behaviour and preferred mode of investment by investors of Mathura city' with the objective to study the different investment modes available to the investors. After analyzing & interpreting the data received from the respondents, it concluded that on the basis of Safety, Bank is the most preferred mode of investment as it provides maximum safety. But on the basis of Return, Real Estate is the most preferred mode of investment as it provides maximum return.

Yasmeen Ansari And S.C.Dhamija (2011) did 'An Empirical Assessment of Investment Patterns of Investors' in North India with the objective to study the preferred investment avenues of the investors. The findings of study were investors prefer to invest in avenues like government securities next to mutual funds scheme and real estate and most of the investors have moderate financial knowledge.

DhimanBabli, Pal Amrit, Dhiman Narender Kumar (2010) conducted ' A study on impact of recession on individual investors behaviour' in Punjab among the investors of Ludhiana Stock Exchange Investors with the objective to study the individual investor behaviour prior, during

and after recession period. From this study, they found that though a majority of the investors during the recession period seem to have realized the seriousness of it they nevertheless continued their investment activities knowing that the risk for a collapse was imminent. Despite the inevitable losses realized among investors, as a consequence of the global recession, confidence toward the market seems fairly high.

Rangarajan R. and Usha R. (2009) did a study on 'Factors influencing women investors in Capital Market' in Chennai City with the objective to study the various factors influencing the women investor behaviour in Capital Market. The findings showed that women investors are willing to take risk to invest in shares, while at the same time, they prefer their money to work hard to earn more profit and ensure safe returns. The main reason for investing in shares is good returns, liquidity and tax benefits.

B) STOCK BROKERS:

A stockbroker is an individual / organization who are specially given license to participate in the securities market on behalf of clients. The stockbroker has the role of an agent. When the Stockbroker acts as agent for the buyers and sellers of securities, a commission is charged for this service.As an agent the stock broker is merely performing a service for the investor. This means that the broker will buy for the buyer and sell for the seller, each time making sure that the best price is obtained for the client. Studies regarding stock broker are reviewed as the following.

Mohanraj P. and Kowsalya P.(2017) conducted 'A study on the investor satisfaction towards service quality of stock brokers with reference to Coimbatore District' with the objective to find out the investors satisfaction towards training programmes. The findings of the study showed many investors are using the training classes to know the technicalities of the stock market. The research report from advisory board was also helpful to the investors. The stock brokers add more value to the customer service in order to improve their service quality.

SachinMathur (2016) did a research on 'Equity Analyst Recommendations Usefulness Determinants and Biases'. The research was based on empirical research of brokerage analyst recommendations in India using a large representative sample of individual broker recommendations as well as average recommendations of a cross section of 200 firms over a period of six years (April 2009 to March 2015).The study shows that analyst recommendations, in aggregate, are useful since they enhance information availability in the market, as well as

enable investors to earn abnormal returns, provided that specific trading strategies are employed to use such recommendations. Diversified portfolios formed and periodically rebalanced based on analyst recommendations, when suitably aggregated and ranked, can earn abnormal returns that are not only statistically significant, but also economically significant after reducing transaction costs.

PolinaDemina (2014) wrote an article on 'Broker-Dealers and Investment Advisers: A Behavioral-Economics Analysis' in Michigan Law Review.The article said that for the average investor trying to save for retirement or a child's college fund, the world of investing has become increasingly complex. These retail investors must turn more frequently to financial intermediaries, such as broker-dealers and investment advisers, to get sound investment advice. Such intermediaries perform different duties for their clients, however. The investment adviser owes his client a fiduciary duty of care and therefore must provide financial advice that is in the client's best interests, while the broker-dealer must merely provide advice that is suitable to the client's interests—a lower standard than the fiduciary duty of care.

B Venugopal (2013) did a research on 'Role and performance of depository participants in India a study with reference to select DPs in Rayalaseema region' with the objective to study and analyze the profile of depository participants and investors attitude on services of depository participants. It was observed that Majority of investors are satisfied with the research tips provided by the select depository participants. Investors had opinioned that service charges for maintaining demat account are not reasonable. None of the brokers had organized any investor awareness camps for creating investor awareness. It was suggested that depository participants, SEBI, mutual funds, investment advisor and other intermediaries of capital market should take necessary measures for enhancing capital market dealings of depository participants.

Sumathy M. and NichlavosePreema Rose (2012) did an empirical study on 'Trading problems of stock dealers/brokers in India' in Cochin/Ernakulam district of Kerala state with the objective to study trading problems confronted by the stock brokers/dealers. The results concluded that though SEBI, as regulator, controlling and monitoring the activities of the stock market, Brokers themselves has to develop, with the clients, a relationship which is based on the trust and guidance to create a confidence in them to trade in stock market.

BawaSumninderKaur and Ruchita (2010) did a study on 'Factors affecting the brokers' recommendations' in Jalandhar district of Punjab. The objective of the study was to examine the factors having impact upon the recommendation made by the stock brokers. The results had shown that there are 3 key factors by clubbing the related variables namely, conditions prevailing all over whether in company, country or outside the country; brokers' outreach, analysts and research ability; and availability of information with the brokers play a major role while stock brokers makes recommendations.

Verma K.K. and TiwariPrakash (2009) conducted a study on 'Analysis of customers' expectations towards share brokers' among the investors and traders in Dehradun region. The objective was to understand the customer's expectations from the share brokers. The study revealed that investors and traders are expecting main service of "proper response from the dealer", "Putting the order without delay", "Trading time advice/ guidance" and "Providing exposures properly" from their share brokers.

Patrick F. Parnaby (2009) did a paper on 'Sit Back and Enjoy The Ride: Financial Planners, Symbolic Violence, and the Control of Clients' in The Canadian Journal of Sociology.This paper was seeking to answer the following question: what discursive strategies do personal financial planners use to facilitate desirable client behaviour vis-à-vis market investment? On the basis of 32 semi structured interviews with financial planners and textual analyses of relevant industry materials, He argues that planners use three essential discursive strategies: the naturalization of market volatility, the establishing of reasonable expectations, and the managing of external discourses. Together, these discursive strategies constitute the exercising of symbolic violence which, in turn, controls clients so as to cultivate a professional relationship amenable to long-term investment and profitability.

Michael T. Cliff(2007) wrote an article on 'Do Affiliated Analysts Mean What They Say?' in the journal Financial Management. The summary of article is 'Many investors were upset with the losses they experienced by following the recommendations of stock analysts during the recent market downturn. Allegations that these recommendations were often tainted by investment banking relationships fueled their anger This study examines the investment performance of stock recommendations made by analysts employed by lead underwriters as compared to analysts independent of investment banking. The results indicate that during the 1994-2005 time period, Buy or Hold recommendations from affiliated analysts underperform

stocks recommended by independent analysts. On the other hand, shorting their Sells earns significant abnormal returns. Announcement period returns suggest that the market over-reacts to Buys from affiliated analysts, but under-reacts to their Holds or Sells.

KT Peter (2001) did a research on 'Problems and prospects of stock broking in Kerala' with the objective to study the threat and challenges confronted by the stockbrokers in Kerala. The information was collected from 200 brokers approximating 40 percent of the total population, which consist of 508 members. The list of members had been obtained from the Cochin Stock Exchange (CSE) and the samples are selected by using simple random method. The findings showed that stiffer and tougher guideless like capital adequacy norm, margin requirements etc have resulted in eroding the investible funds of brokers. The brokers in CSE suffer from inadequacy of financial resources. Many of the brokers had met with heavy losses and are on the brink of financial ruin.

3. RESEARCH GAP

Studies regarding Investors, their concerns, preferences and objectives in the world of investment are highly researched but studies regarding Stock Sub-brokers are very less researched. Most of the studies are conducted from the point of view of investors and their investment decisions and problems but very less research is about the problems and investment decisions of sub-brokers. There are few studies who have tried to take up the issues of Stock Sub-Brokers. The studies regarding investors are mostly conducted in North India and parts of Kerala and Tamil Nadu. This gives rise to take up research about the Investment Decisions of Stock exchange members, majorly the sub-brokers and to consider their investment decisions in capital markets. After all, even the sub-brokers have the urge to save and invest. Especially to take up study about sub brokers in Karnataka, at micro and district level which has been neglected by most of the researchers.

4. STATEMENT OF THE PROBLEM

Investors who are not themselves members of an organised exchange or authorised dealers in securities must employ the services of a brokerage company in order to do business in the securities market. The term "stock-broking service" describes the assistance given to investors by an organisation that handles the task of purchasing or disposing of shares. In these deals, the sub brokers merely operate as agents rather than acting as principals. Sub Brokers

demand a fee for each purchase and sale they handle, yet they often get nothing until the deal goes through. Moreover, they provide ancillary services such consultation, stock research, portfolio management, custodial services, depository services, and underwriting.

Sub-Brokers are the ones who will connect investors to the capital markets as the equities cult spreads and draws more and more people to the stock markets.

The stock sub-broker now requires funds to meet the growing demands of investors. He only makes a very little amount of money from the fee on the brokerage services. The sub-brokers' financial resource base is insufficient. Because of this, even he must use the assistance of capital markets, where returns are larger than those of conventional investment outlets.

The current research will concentrate on these points and make an effort to understand the numerous investing choices stock sub-brokers make as well as how they act in the capital markets. They now have to assume the role of investors, thus the research will concentrate on the sub brokers' investment goals. As a result, the socioeconomic and demographic profile of stock sub-brokers in Dakshina Kannada as well as the different investment tools that they use will be researched. The study will also reveal our risk tolerance and how the sub-brokers would evaluate the different capital market investing opportunities.

5. OBJECTIVES OF THE STUDY

The study will be undertaken with the following objectives

1. To examine economic and demographic attributes of stock sub-brokers in Dakshina Kannada district.
2. To study the investment objectives of the stock sub-brokers in capital market with respect to their personal finance.
3. To study the preferred investment avenues of stock sub-brokers for clients as well as personal finance.
4. To evaluate the factors influencing the recommendations made to clients and personal investment behavior of stock sub-brokers.
5. To assess the risk perception of stock sub-brokers in capital markets.
6. To make suitable suggestions on the basis of the findings of the study.

6. HYPOTHESES OF THE STUDY

H0-1: The place of residence does not significantly impact investment decisions. (Null Hypothesis)

H1-1: The place of residence significantly influences investment decisions. (Alternate Hypothesis)

H0-2: Gender does not significantly impact investment decisions. (Null Hypothesis)

H1-2: Gender significantly influences investment decisions. (Alternate Hypothesis)

H0-3: Marital status does not significantly impact investment decisions. (Null Hypothesis)

H1-3: Marital status significantly influences investment decisions. (Alternate Hypothesis)

H0-4: Educational qualifications do not significantly impact investment decisions. (Null Hypothesis)

H1-4: Educational qualifications significantly influence investment decisions. (Alternate Hypothesis)

H0-5: Monthly savings do not significantly impact investment decisions. (Null Hypothesis)

H1-5: Monthly savings significantly influence investment decisions (Alternate Hypothesis)

H0-6: There is no significant influence of investment objectives on the investment avenues selected by Sub brokers (Null Hypothesis).

H1-6: There is a significant influence of investment objectives on the investment avenues selected by Sub brokers (Alternate Hypothesis)

H0-7: There is no significant difference among various factors that affect sub broker's investment decisions (Null hypothesis).

H1-7: There is a significant difference among various factors that affect sub broker's investment decisions (Alternate Hypothesis)

H0-8: There is no relationship between risk perception and risk preference (Null Hypothesis).

H1-8: There is a relationship between risk perception and risk preference (Alternate Hypothesis).

7. AREA OF THE STUDY

Dakshina Kannada has a solid reputation in the banking industry. The Canara Bank and the Canara Banking Company, two commercial banks, were established in the territory as early as 1906. In 1913, the District Central Co-operative Bank was founded. The accelerated growth of

financial institutions started in the year 1920. The former Dakshina Kannada district is where the Canara Bank, Syndicate Bank, Vijaya Bank, Karnataka Bank, and Corporation Bank had their start. Many private financial organisations, including the State Financial Corporation, Maharashtra Apex Corporation, Canara Finance Unit, Mangalore Benefit Chit Fund, Manipal Finance Corporation, etc., in addition to commercial and cooperative banks, have been operating effectively in the area. The research will be carried out in Dakshina Kannada with this backdrop in mind. There are 332 registered sub-brokers for the area of study. The research will take into account these stock sub-brokers, and organisations that provide trading services to investors resident in or doing business in Dakshina Kannada.

8. DATA SOURCES

Primary data will serve as the study's basic foundation. The Government, RBI, and market regulator SEBI will, nevertheless, utilise secondary data wherever necessary, especially with relation to different policy efforts that influence the capital markets. The essential secondary data will be acquired through reports, books, journals, periodicals, daily and magazines, and websites, and the primary data will be collected using a structured questionnaire that will be created depending on the research's goals.

9. SAMPLE SIZE

Out of the total of 332 registered sub-brokers in Dakshina Kannada, a sample size of 300 sub-brokers has been selected for a comprehensive study. This sample size was chosen to ensure a representative and statistically significant dataset. By selecting 300 sub-brokers, the research aims to capture a diverse range of insights and perspectives within the sub-broking community while maintaining a manageable sample size for in-depth analysis. With a sample size of 300, a high level of confidence in the reliability and validity of the study findings, allowing the study to draw meaningful conclusions and make informed recommendations based on the collected data. This sample size enables us to gain valuable insights into the characteristics, practices, and challenges faced by sub-brokers in Dakshina Kannada with confidence.

10. METHODOLOGY

Methodology serves as the backbone of any research endeavor, providing a systematic framework for collecting, analyzing, and interpreting data. It acts as a roadmap, guiding researchers through the complex terrain of inquiry and ensuring the validity and reliability of their findings. The conducted field study aimed to delve into the dynamics of brokerage practices within the financial landscape, particularly focusing on the sub-broking community. A total of 300 responses from sub brokers was meticulously gathered through stratified random sampling. The sample was selected to provide a representative overview of the sub-broker community in the region. The largest portion of the sample, comprising 260 sub-brokers (out of 290), was drawn from Mangalore, which reflects the significant presence of sub-brokers in this area. The sampling process ensured that every sub-broker operating in Bantwal, Puttur, Belthangady, Sullia, and Moodbidri taluks was included in the sample, i.e. 5, 14, 7, 7, and 7 sub-brokers, respectively, representing the entire population in those locations.

The research operates at 95% confidence level and 5% significance. The structured questionnaire was used to collect the relevant data and information. The followings tests were used in methodology for data analysis and hypothesis testing.

Reliability Test: This test measures how consistent and dependable data collection methods are. A score of 61% indicates that there is moderate reliability in data collection process.

Kurtosis Value: Kurtosis measures the shape of the distribution of data. A value between -7 and +7 suggests that data is relatively normally distributed. However, a value of 8.70 for one variable (source of investment advice) indicates that its distribution is more peaked and has heavier tails than a normal distribution.

Shapiro-Wilk Test: This test checks if a dataset comes from a normally distributed population. If the p-value obtained from the test is less than 0.05, it suggests that the data significantly deviates from a normal distribution. In the study, all variables except one have p-values greater than 0.05, indicating that they are normally distributed.

Regression Analysis: This is a statistical method used to understand the relationship between one dependent variable and one or more independent variables. It helps to see how changes in one variable affect another.

Pearson Correlation Coefficient: This test measures the strength and direction of the linear relationship between two variables. It provides a value between -1 and 1, where -1 indicates a perfect negative linear relationship, 1 indicates a perfect positive linear relationship, and 0 indicates no linear relationship.

t-test: This test is used to determine if there is a significant difference between the means of two groups. It helps to understand if the difference observed in the sample is likely to exist in the population as a whole.

11. MAJOR FINDINGS

- The majority of respondents in this study are Male and they belong to the age group of 41 and 50 years. In case of education it can be said that the most of them are postgraduates. The yearly income of respondents is between Rs6 and Rs9 lakh. In the matter of saving it can be said that most of the study's participants save between Rs. 10,000 and Rs. 15,000 every month and they belong to nuclear families.
- Most of respondents in this research preferred to save money by focusing on children's education, whereas 15% of respondents do so in order to build wealth, upto 55% of respondents invest their income between 11% and 20%.
- 67% of respondents prefer to invest their money between two and five years. Most of them track their investments monthly. 52% of respondents get investing advice from news outlets. They favor primarily safety of principal amount.44% of respondents choose quarterly results as a source of information to analyze the success of their investment. They believe that market risk is the largest threat to their investments,
- 47% of respondents had shareholding values between Rs. 1 lakh and Rs. 5 lakhs, Most of them get steady income from their investments in shares. It is seen that 62% of them will to continue investing in shares even though 95% of respondents experienced share price losses in the previous year. Most stock sub-brokers are familiar with SEBI rules on investors' rights and complaints.
- Majority of sub-brokers had losses as a result of bad recommendations or bad advice from family and friends. If they made money it was because of bullish market, and none of the respondents claimed to have just made money by chance.40% of respondents

believe dividends have a low degree of relevance in investments. Sub-Brokers place an equal amount of high and very high emphasis on capital appreciation in investments,

- 50% of respondents believe that quick returns on investments are not very important. 36% of them believe that safety has a moderate degree of relevance in investments. 40% sub-brokers believe liquidity is not very important for investing. 51% of respondents believe tax advantages are very important to investment decisions. They also think that asset diversification is not very important when making investments
- Majority believe that right and bonus are somewhat important to investments and hedging against inflation is very important.32% of respondents anticipate having a rate of return (ROR) of 36% or more on an annual basis.
- Equal percentages of stock sub-brokers rated stocks futures and options as their top and second choices for investments. 35% of respondents gave third rank for NSC, PPF, and PF while 50% of them selected mutual funds as their fourth-most preferred investment. 35% of respondents also placed insurance policies as their third and real estate as fourth preferred investments. Gold and silver was also considered as an investment preferences by some.
- Majority of stock sub-brokers while selecting the sector for investment preferred them in the following order: FMCG sector, Pharma sector, IT sector, Service sector, Banking sector, MNC sector and energy sector.. Very few gave preference to the Infrastructure and capital goods sector.
- When making choices on behalf of client's stock sub-brokers i.e 56% of them selected stock futures and options. 36% of respondents put NSC/PPF/PF as third rank in terms of client investment preferences. Most of themlisted mutual funds and real estate as their fourth-ranked investment choice. Some sub-brokers gave top rank for insurance policies for customers.
- Stock broker's when selecting the sector of clients they chose them in the following order: Pharma sector, IT sector, Service sector, Banking sector and FMCG sector, Infrastructure and Energy sector.
- While considering various factors which affect the decision making for personal investments, stock sub-brokers believe that the factors such as Company history (31%) Analysts forecasts (36%), Current policies of companies (34%) Future prospects and

profitability (34%) EPS/PE ratio (35%) and Book value, market value and price trends (37%) plays a high role.

- The factors such as Stock market information (36%) Risk variables (36%) Board of directors (35%) Promoters background (31%) Companies managed by same people (35%) Product strength (34%) Market volume traded (34%) Dividend payment (33%) has moderate level of influence when making personal investment decisions
- As per stock sub-brokers the factors such as Credit ratings (31%) Cost of project and financing options (31%) Location, process and infrastructure (32%) Bonus, rights issue and stock splits (31%) play a negligible role while making their personal investment decisions.
- The stock sub-brokers when they make decisions for clients and evaluate their investments then the factors like Stock market information (32%) Risk considerations (30%) Analysts forecasts (36%) Company history (43%) Promoters background (33%) Companies under same management (33%) EPS/PE ratio (41%) Book value, market value and price trends (32%) play an important role.
- The factors such as Credit ratings (33%) Board of directors (35%) Cost of project (36%) Location, process and infrastructure (40%) Dividend payment (33%) Bonus, rights issue and stock splits (30%) play a moderate role as per stock sub-brokers when they evaluate customers investment appraisal
- There are certain factors which have low level of influence when sub-brokers consider decisions for clients. These are Companies current policies (29%) Product strength (33%) Market volume traded (40%) Performance of associated firms (39%)
- Most of respondents believe that shares, stock future and options will have a high level of risk and return when it comes to investments, mutual funds and PPF have modest levels of risk and return while gold, fixed deposit and real estate have low risk and return.
- When asked about the investment satisfaction the sub brokers say the objectives such as Safety (29%) and Hedge against inflation (38%) gave high degree of satisfaction. On the other hand Quick Gain (34%) as an objective has given a low level of satisfaction.
- The investment objectives like Dividend (29%) Capital Appreciation (34%) Liquidity (32%) Tax Advantages (25%) has given the sub brokers moderate level of satisfaction.

- Majority of stock sub-brokers "somewhat agree" that their investment choices are based on their investment goals. They have a risk tolerance while making investing choices. Stock sub-brokers also sometimes make investment decisions based on advice from their friends, neighbors, and other members of their reference group.
- Most of them agreed with being optimistic at times and ignoring pertinent information about investment decisions and they prefer to only invest in routes that they are acquainted with..
- Sub brokers acknowledged that the abundance of investment possibilities on the financial markets causes them to feel uncertain when making investment decisions and that making a choice to purchase or sell depends heavily on personal sentiments,.
- When testing hypothesis from the study it is concluded that
  a) Place of residence is not having significant impact on investment decisions.
  b) There is an impact of Demographic factors like Gender on investment decisions.
  c) Male respondents were making risky investment decisions.
  d) There is also an impact of Marital Status on investment decisions. Unmarried respondents were making less risky investments compared to married respondents.
  e) Educational Status too has an impact on investment decisions. Those who have higher qualification have chosen more risky investment options. A direct positive correlation was found in this case.
  f) From the study it is inferred that, there is an impact of monthly savings on investment decisions. Those who have more saving have chosen less risky investment options. An inverse relationship was found between monthly savings and investment options.
  g) In the study it is found that, dividend objective is having significant influence on investment decision.
  h) Safety objective is having significant influence on NSC/PPF/PF.
  i) Liquidity objective has influence on Fixed Deposits.
  j) Diversification of asset objective has influence on Real Estate Avenues.
  k) Holding objective is influencing on Gold/silver investment.
  l) From the study it is inferred that, there is a significant difference among various factors that affect stockbroker’s investment decisions.
  m) There is also inverse association between risk perception and preferred risk.

12. SUGGESTIONS

- To bring succor to the ailing small stock exchanges for example Mangalore exchange which got derecognized, the SEBI should take steps to compulsorily list small cap companies (companies of size 5 crores or below) on small exchanges.
- Sub Brokers play the role of intermediation in the capital market. The Government should recognize this and come forward with suitable measures to provide the sub brokers the much needed relief in the form of grants or aids to help them prosper in their business.
- Sub brokers should provide proper technical training on the Online trading system. Most of the investors are using online trading system to conduct the basic transactions only. Other than the basic services, lots of features are available in trade software. The stock broker should educate the investors through proper and effective training.
- There is a need to create awareness about how inflation affects the earnings. The present value and future value of money concept would help to understand this better. This would help to choose the best investment avenues which beat the inflation.
- Stock Sub-brokers have to encourage the investors to do short term and long term investments in stock market. Most of the time, for the growth of business, Sub brokers encourages investors to do speculative transaction. That should be avoided
- The stock broker has to take proper steps to increase the informedness of investors with respect to arbitration process, Grievance redress cell and specifically market condition and economic condition. The broker has to provide the investors as to how to look at the market in different situations and conditions.
- Technical and fundamental analysis of company would help to understand the company performances. The sub brokers can provide above technical knowledge and awareness to increase the informedness through workshops, seminars and webinars
- A stock broker is required to learn about investors risk tolerance, income, investment experience, other assets, financial needs, and investment goals, before recommending an investment.
- Sub-Brokers have a large number of grievances that need to be attended to. For this purpose it is important to have a built in mechanism to mitigate their grievances and

problems. There are various forums and cells working for the protection of investors whereas there is none for brokers' protection. A brokers' grievance cell must be formed in line with investors' grievance cell

- There is also need to test the hypothesis with greater number of respondents to know the influence of place of residence. type of family and the number dependence in the family may influence on investment decisions. This will call for future research in the subject domain.
- Insurance being a hedge against a bad tomorrow, it is proposed to introduce centralized insurance cover for sub-brokers.
- The Indian stock market has been plagued by extreme volatility. Long-term funds like pension and provident funds should be promoted for investment in equities, which would provide the needed stability to the market.

13. LIMITATIONS OF THE STUDY

1. Since the research will only investigate investment choices made by stock sub-brokers in the Dakshina Kannada area and not those made by stock sub-brokers nationwide, it is not possible to extrapolate the study's findings to a wider population.

2. It's possible that the research won't be able to examine all feature of stock sub-brokers operating in the specified study region.

3. Depending on whether the market is in a bullish or bearish phase, the data obtained may be affected, which will affect the sub-brokers' responses.

4. There is a potential that crucial information may be withheld due to a lack of trust since the research is connected to the private information of the sub broker and their financial choices.

14. CHAPTER SCHEME

A brief outline of different chapters is presented below.

Chapter 1: **Introduction**

This chapter provides the foundational information for the study, offering insights into the background of the research, the statement of the problem addressed, and the objectives guiding the investigation. It also outlines the hypotheses formulated to test specific assumptions. The chapter discusses the sources of data used, the rationale behind the chosen sample size, and the

tools of analysis employed to analyze the collected data. Additionally, it elucidates the methodology followed in conducting the research and acknowledges any limitations encountered during the study.

Chapter 2: Review of Literature

This chapter delves into existing literature related to investors and stock sub-brokers, exploring their behaviors and decision-making processes within the realm of investment in the capital market. It examines previous studies, theories, and findings relevant to the subject matter, shedding light on key concepts and theories that underpin investment decisions. The research gap is identified based on the existing literature, highlighting areas where further investigation is warranted. Furthermore, the chapter provides conceptual clarity by defining and elucidating important terms and concepts related to investments.

Chapter 3: Overview of Capital Markets in India

This chapter provides a comprehensive overview of the capital markets in India, including an exploration of the various capital market instruments available for investment. It begins by delineating the functions and types of capital markets in India, elucidating their roles in facilitating the flow of funds between investors and businesses. Regulatory bodies governing the Indian capital markets are discussed, outlining their roles and responsibilities in ensuring transparency, fairness, and investor protection. Additionally, the chapter delves into the growth trajectory of capital market instruments in India

Chapter 4: Socio-Economic Profile of Dakshina Kannada District

This chapter provides an in-depth analysis of the socio-economic landscape of Dakshina Kannada district. It begins by examining key socio-economic indicators such as population growth, per capita income, and accumulated savings by taluks within the district. These indicators offer insights into the economic well-being and standard of living of the district's residents. Additionally, the chapter explores the prominent stock brokers operating in Dakshina Kannada. By examining the socio-economic profile of the district alongside the presence of key stock brokers, this chapter aims to provide a comprehensive understanding of the district's economic dynamics and investment environment.

Chapter 5: Data Interpretation and Analysis

This chapter presents a detailed analysis of the data collected from 300 sub-brokers in Dakshina Kannada district. Through the use of tables, diagrams, and statistical tools, the data is interpreted

to uncover meaningful insights into the investment decisions of stock sub-brokers in the capital market. Hypothesis testing is employed to evaluate the validity of assumptions made in the study. The chapter provides a systematic examination of various variables and factors influencing investment decisions, such as sources of investment advice, preferred investment instruments, risk perception, and investment strategies. By employing statistical methods and graphical representations, this chapter facilitates a deeper understanding of the behavior and preferences of sub-brokers in the capital market, thereby contributing to the overall objectives of the study.

Chapter 6: Summary of Findings, Suggestions, and Conclusion

This final chapter summarizes the key findings derived from the analysis of the data collected from 300 sub-brokers in Dakshina Kannada district. It provides a comprehensive overview of the major trends, patterns, and insights uncovered through the study. The chapter highlights the significant factors influencing investment decisions among sub-brokers. Based on the findings, practical suggestions are offered to enhance the effectiveness of investment decision-making processes among sub-brokers. These suggestions aim to address any identified challenges or gaps in the current practices and promote better-informed investment strategies. Finally, the chapter concludes by summarizing the main findings and their implications for the capital market landscape in Dakshina Kannada district.

15. DIRECTIONS FOR FUTURE RESEARCH

Since the research will only investigate investment choices made by sub brokers in the Dakshina Kannada area and not those made by stock sub-brokers nationwide, it was not possible to generalise the study findings to a wider population. Depending on whether the market is in a bullish or bearish phase, the data obtained may be influenced by market conditions prevailed while collecting the data. Since the collected data was nonprobability convenience sampling, with large number of data more accurate results might be possible. There is also possibility of some of the crucial information (financial privacy) and data may be with help because of investors prejudices. This research paves further study in the same subject area to explore the possibility of impact of demographic and economic variables on stock market investment decisions.

16. CONCLUSION

Indian retail investment in share market has now grown into a great material market with a lot of qualitative inputs and emphasis on investors' protections and disclosure norms laid down. The market has become automated, transparent and self-driven. Perhaps ours is the country to have the largest number of listed companies with Regional Stock Exchanges and National Stock Exchanges most of them automated. India now has world class regulatory system in place. Financial services and markets constitute significant components of the financial system. Development and reforms in this field are inevitable for the growth of our developing economy. Accordingly, a lot of financial reforms have been made as and when required for the welfare of the investors and the institutions. Thus at the dawn of the new millennium, stock market increased the wealth of Indian companies and investors. Retail investor presence is likely to increase as per capita income in a country rises, since at any given level of inequality that would increase incomes and surpluses in the hands of those in the middle and upper-middle of the income distribution from where retail investors can be expected to come.

The study was conducted to understand the factors affecting the investment decisions of stock sub-brokers in capital market. It explores impact of socioeconomic, demographic factors and economic factors affect the stock sub broker's behaviour while taking investment decisions. In the study it is found that in demographic factors Gender, Marital Status, Educational Qualifications are having significant influence on investment decisions. Those who have higher qualification have chosen more risky investment options. A direct positive correlation was found. However, place of residence is not having significant influence on investment decisions. Economic factors like Monthly savings are having significant influence on investment decisions in the study area. The study also showed that based on the various investment objectives like safety, liquidity etc. the sub brokers choose the financial instruments. All type of investors demand more returns with no risk. So they prefer share market fabricated with minimal risk. It is found that the stock sub-brokers as an investors adopt the modes of calculative, conservative, risk taking, impulsive and intuitive factors while taking their investment decisions.

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